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State Department review completed

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SUMMARY

GENERAL

1. Anglo-French conference proposed to alleviate disagreements over Middle East (page 3).

FAR EAST

2. French-Vietnamese friction over the concept of the French Union foreseen (page 3).
3. De Lattre plans to revive issue of French participation in Indochinese aid program (page 4).
4. India advises Burma to delay submission to UN of Chinese Nationalist troop question (page 5).

NEAR EAST

5. Effects of British embargo on Iranian economy (page 5).

WESTERN EUROPE

6. National veterans' group formed in West Germany (page 6).

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- 2 -

25X1A

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GENERAL

1. Anglo-French conference proposed to alleviate disagreements over Middle East:

25X1A



The British Foreign Office confirms that the French Foreign Minister has proposed a conference with Great Britain to discuss "international questions of common interest"

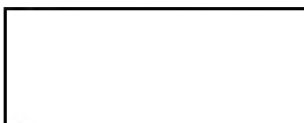
in view of the danger of Anglo-French disagreements, particularly on Middle East and North African questions. The Foreign Office expects a general conference some time after the French Foreign Minister's return from Ottawa.

Comment: Since France was excluded from the Anglo-American bilateral discussions on Mediterranean defenses in Malta last spring, fears of American, and especially British encroachment upon French influence in the Middle East have been increasing. In the Washington tripartite talks, however, Great Britain has indicated a desire for French support in solving Britain's problems in the area, particularly on the question of the Middle Eastern command.

FAR EAST

2. French-Vietnamese friction over the concept of the French Union foreseen:

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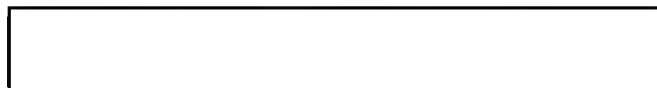


The US Charge in Saigon believes that the prospective first convocation of the High Council of the French Union may bring to a head the problem of whether the status

of the Associated States of Indochina is to be one of genuine association or subordination.

The emphasis which Vietnamese spokesmen have placed on full equality within the French Union, when compared with De Lattre's statement that commonwealth dominion status is hardly

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in prospect for Vietnam, denotes the potential explosiveness of this issue. The Charge states his belief that implementation of the French Union, along the restricted lines envisaged by France in 1946, will be deeply resented by the Vietnamese public and will embitter French-Vietnamese relations for years to come. He urges that no American statement be issued which implies approval of the organizational aspects of the French Union.

3. De Lattre plans to revive issue of French participation in Indochinese aid program:

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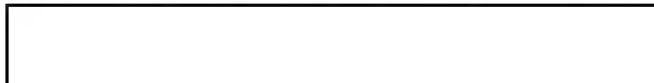
General De Lattre's proposed agenda for his meetings with ECA officials in Washington is "highly disappointing," in the opinion of the US Charge at Saigon. The

Charge feels that it indicates the French attitude towards the US economic aid program in Indochina has remained the same -- that US economic aid to the Associated States should not be administered bilaterally, but with official French participation.

The US Charge refers to the original American decision to devise a program whose benefits would be applied directly through the Associated States, in order to strengthen the prestige of the native governments in the eyes of the populations. This would prevent the French from diverting the aid to their own interest. He concludes that if De Lattre's agenda were made known to informed Vietnamese, it would violently irritate and offend them.

Comment: Although the French insisted almost two years ago on participation in the economic aid program, they subsequently appeared to accept administration by the US and the Associated States. De Lattre's reported intent to revive the issue of French participation is not surprising, however, in the light of continuing French criticism of the ECA program in Indochina.

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4. India advises Burma to delay submission to UN of Chinese Nationalist troop question:

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India has advised Burma to delay its projected submission to the UN of the question of Chinese Nationalist troop activities along the Sino-Burmese border. India has also

expressed the hope that the US can do something toward eliminating this danger to peace in Asia since the US, as the "chief supplier of foreign arms to Southeast Asia," may be accused by Communist powers of assisting the Nationalists.

Comment: Last May, when Burma first planned to take this case to the UN, it was dissuaded from doing so by US representations, Indian admonitions against hasty action, and the movement of the troops in question out of Burma into Yunnan. Now that the defeated Nationalist troops have reentered Burma, any Western advice to delay may be less successful. If the case is not submitted, it will probably be largely because of Indian influence.

NEAR EAST

5. Effects of British embargo on Iranian economy:

25X1A



The British embargo on the export of certain scarce commodities to Iran, according to the American Embassy in Tehran, will be felt immediately in the

case of sugar, already in short supply. The ban will also affect, although less quickly, cotton piece goods which can no longer be bought from the US because of Iran's inability to convert sterling to dollars.

Comment: The British action in shutting off these imports will encourage opposition to Prime Minister Mossadeq among moderates. At the same time, it will probably result in an even more intransigent attitude on the part of the present government, which will see in this action further confirmation of "British imperialism."

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WESTERN EUROPE

6. National veterans' group formed in West Germany:

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Representatives of all the leading West German veterans' organizations met at Bonn on 8 September and took action to unite in a single national veterans' group

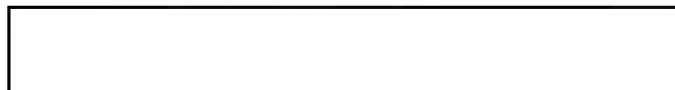
called the Association of German Soldiers. The new alliance, still subject to ratification by the component groups, elected a provisional leadership which will draw up policies and arrange for an election of permanent officers.

Local US officials, noting that German veterans have for some time been violating the Allied law prohibiting such organizations, state that any Allied attempt now at enforcement would cause considerable resentment, especially since all the political parties have been assiduously cultivating the veterans' votes. The officials comment that the new association, despite an assertion that it will not enter politics, has clearly demonstrated that it has political aims. They add that it is not yet certain whether the group will be able to curb radical and anti-Allied minority elements and refrain from becoming a threat to US policies in Germany.

Comment: This is the second major move to unite the West German veterans' organizations. In late July a notable merger resulted in the formation of the German Soldiers' Federation, claiming over 80,000 members, which initiated the Bonn conference. So far, most of the groups represented in the new association have demonstrated a moderate political line, and have supported German rearmament. Until the new association can demonstrate much greater cohesiveness and exert a strong control over its components, it is not likely to constitute a serious threat to US interests.

- 6 -

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